

**REPORT OF THE AUDIT OF THE
BOYLE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2010**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
BOYLE COUNTY FISCAL COURT**

June 30, 2010

The Auditor of Public Accounts has completed the audit of the Boyle County Fiscal Court for fiscal year ended June 30, 2010.

We have issued unqualified opinions, based on our audit on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Boyle County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$11,421,856 as of June 30, 2010. The fiscal court had unrestricted net assets of \$3,538,154 in its governmental activities as of June 30, 2010, with total net assets of \$11,396,562. In its enterprise fund, total net cash and cash equivalents were \$20,539 with total net assets of \$25,294. The fiscal court had total debt principal as of June 30, 2010 of \$3,635,324 with \$462,556 due within the next year.

Report Comment:

2010-01 Internal Controls Should Be Improved To Ensure Jail Canteen Receipts Are Properly Accounted For And Reported

Deposits:

The fiscal court and component units' deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Harold McKinney, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Boyle County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Boyle County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boyle County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2011 on our consideration of Boyle County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation included herein, which discusses the following report comment:

2010-01 Internal Controls Should Be Improved To Ensure Jail Canteen Receipts Are Properly Accounted For And Reported

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

March 9, 2011

BOYLE COUNTY OFFICIALS

For The Year Ended June 30, 2010

Fiscal Court Members:

| | |
|--------------------|------------------------|
| Harold W. McKinney | County Judge/Executive |
| Donnie Coffman | Magistrate |
| Phillip Sammons | Magistrate |
| Brent Woodrum | Magistrate |
| John Hudson | Magistrate |
| John Davis | Magistrate |
| Mickey Harmon | Magistrate |

Other Elected Officials:

| | |
|------------------|----------------------------------|
| Richard Campbell | County Attorney |
| Barry Harmon | Jailer |
| Trille Bottom | County Clerk |
| Joni Terry | Circuit Court Clerk |
| Marty Elliott | Sheriff |
| Eddie Tamme | Property Valuation Administrator |
| Dr. James Ramey | Coroner |

Appointed Personnel:

| | |
|----------------|----------------------------|
| Mary C. Conley | County Treasurer |
| Marcia Pierce | Occupational Tax Collector |
| Gail Bowling | Finance Officer |
| Lisa Maples | Payroll Officer |
| Duane Campbell | Road Supervisor |

BOYLE COUNTY FISCAL COURT, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010

The management team for the Boyle County Fiscal Court (Boyle County) presents this narrative to help our readers review the accompanying annual financial statements for the year ended June 30, 2010. We have prepared this overview and analysis of the County's financial activities to add additional information to the financial schedules and the note disclosures.

Boyle County uses the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our analysis will examine the financial highlights for this fiscal year and help explain the format for our readers.

FINANCIAL HIGHLIGHTS

- As of June 30, 2010, Boyle County had net assets of \$11,421,856. That includes unrestricted net assets of \$3,538,154 in their governmental funds as of June 30, 2010, with total net assets of \$11,396,562. In the enterprise fund, cash and cash equivalents were \$20,539 with total assets of \$25,294. Total debt principal as of June 30, 2010 was \$3,635,324 with \$462,556 due within one year.
- Net assets increased by \$486,269. The increase was the investments in capital and current assets, net the decrease of related debt.
- At the close of the fiscal year, Boyle County's balance sheet showed a fund balance (a measure of current financial resources) of \$3,538,154 in the governmental funds which was a decrease of \$40,408 from the prior year. Of this amount, \$156,400 was reserved for encumbrances and \$812,844 was reserved for special revenue funds.
- The General Fund unreserved fund balance, as of June 30, 2010, was \$2,568,910 or about 58% of total general fund expenditures.
- Boyle County's total indebtedness at the close of fiscal year ended June 30, 2010 was \$3,635,324. There were \$148,000 in debt additions and debt reductions were \$433,489 for a net reduction of \$285,489.

OVERVIEW OF FINANCIAL STATEMENTS

This management discussion and analysis is intended to introduce the Boyle County's basic financial statements. Basic financial statements include three major sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to provide additional information that our readers can use to analyze our finances.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Government-wide Financial Statements - The *government-wide financial statements* are designed to provide our readers with an overview of Boyle County's finances, presenting all funds in a more simplified format. This section is similar to financial reporting used by the private sector.

The *Statement of Net Assets* presents information on all the County's assets and liabilities, including long-term debt and capital assets in the governmental funds. The difference between assets and liabilities is reported as *net assets*. Increases or decreases in net assets may indicate whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as transactions occur, regardless of when the related cash flows are reported (modified cash basis of accounting). Therefore, some revenues and expenses included in this statement may reflect cash flows that will occur in future periods.

Under Boyle County's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Government-wide statements are separated into two major categories: 1) *governmental activities* that are principally supported by taxes and intergovernmental revenues, and 2) *business-type activities* that are supported with user fees and charges. Governmental activities include administrative functions, protections to persons and property, roads, recreation, community programs, and Boyle County's health insurance program. Business-type activities include the jail canteen.

The government-wide financial statements include not only Boyle County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Boyle County has one such entity, the Municipal Properties Corporation. It is known as a blended component unit.

Fund financial statements – Funds are used in governmental accounting to separate resources that are designated for specific programs or activities. Boyle County, like other state and local governments uses fund accounting to demonstrate compliance with the laws, regulations, and contractual agreements that establish the authority for the County's programs and services. Governments use three types of funds: governmental, proprietary, and fiduciary funds.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds. Governmental funds are used to account for the Boyle County's basic services, the same services that are included in the governmental activities on the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current financial resources, as well as balances of spendable resources available at the end of the fiscal year. This information is important for assessing the County's current financial resources.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current picture presented in the fund statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

Boyle County maintains eleven individual governmental funds. Major governmental funds include the General, Road, Joint Jail, General Obligation, Emergency Medical Service, and E911 Funds. The Local Government Economic Assistance, State Grant, and Boyle Jail funds are considered non-major funds and are represented in a combined form.

Boyle County adopts an annual budget for all funds in accordance with Kentucky Revised Statutes Chapter 68. The budgetary comparison has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds include two enterprise funds. The enterprise funds include operations for the jail canteen and an internal service fund for health insurance. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements. Notes provide additional information that is essential to a full understanding of the information included in the financial schedules.

Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Table 1
Net Assets Comparison - Governmental Activities

| | 2009 | 2010 | Variance | % Change |
|--|----------------------|----------------------|-------------------|-----------------|
| Assets | | | | |
| Current and Other Assets | \$ 4,172,879 | \$ 3,933,239 | \$ (239,640) | -6% |
| Capital Assets | 10,666,400 | 11,098,647 | 432,247 | 4% |
| Total Assets | 14,839,279 | 15,031,886 | 192,607 | 1% |
| Liabilities | | | | |
| Current Liabilities | 414,821 | 462,556 | 47,735 | 12% |
| Noncurrent Liabilities | 3,505,992 | 3,172,768 | (333,224) | -10% |
| Total Liabilities | 3,920,813 | 3,635,324 | (285,489) | -7% |
| Net Assets | | | | |
| Invested in Capital Assets, Net of Related Debt | 6,745,587 | 7,463,323 | 717,736 | 11% |
| Restricted | 594,317 | 395,085 | (199,232) | -34% |
| Unrestricted | 3,578,562 | 3,538,154 | (40,408) | -1% |
| Total Net Assets | \$ 10,918,466 | \$ 11,396,562 | \$ 478,096 | 4% |

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

**Table 2
Net Assets Comparison - Business Type Activities**

| | 2009 | 2010 | Variance | % Change |
|--|------------------|------------------|-----------------|-----------------|
| Assets | | | | |
| Current and Other Assets | \$ 13,738 | \$ 20,539 | \$ 6,801 | 50% |
| Capital Assets | 7,120 | 4,755 | (2,365) | -33% |
| Total Assets | 20,858 | 25,294 | 4,436 | 21% |
| Net Assets | | | | |
| Invested in Capital Assets, Net of Related Debt | 7,120 | 4,755 | (2,365) | -33% |
| Unrestricted | 13,738 | 20,539 | 6,801 | 50% |
| Total Net Assets | \$ 20,858 | \$ 25,294 | \$ 4,436 | 21% |

Changes in Net Assets.

Governmental Activities. Boyle County's net assets increased by \$486,269 in fiscal year 2010.

Key Elements of this are:

- Current assets and cash decreased \$239,640.
- Investment in capital assets increased \$432,247 due primarily to land revitalization, building improvements, and equipment purchases.
- Current and long-term liabilities decreased \$285,489.
- Revenues were \$11,318,880 as reflected in the Statement of Activities.
- Expenditures totaled \$10,832,611 as reflected in the Statement of Activities.

Business-type Activities. Boyle County's net assets increased by \$4,436 in fiscal year 2010.

Key Elements of this are:

- Current assets and cash increased by \$6,801.
- Investment in capital assets decreased \$2,365 due to equipment depreciation.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Assets.

The second statement in the government-wide statements is the Statement of Activities. The following table outlines the major components of this statement.

**Table 3
Statement of Activities Comparison -
Governmental Activities**

| | 2009 | 2010 | Variance | % Change |
|--|----------------------|----------------------|-------------------|-----------------|
| Expenses: | | | | |
| General Government | \$ 3,999,795 | \$ 4,190,176 | \$ 190,381 | 5% |
| Protection to Persons and Property | 3,675,823 | 3,976,536 | 300,713 | 8% |
| General Health and Sanitation | 1,243,914 | 1,361,969 | 118,055 | 9% |
| Social Services | 86,500 | 88,500 | 2,000 | 2% |
| Recreation and Culture | 336,630 | 310,086 | (26,544) | -8% |
| Roads | 932,372 | 378,277 | (554,095) | -59% |
| Airports | 15,123 | 18,139 | 3,016 | 20% |
| Transportation Facilities and Services | 19,351 | 12,619 | (6,732) | -35% |
| Long-Term Debt Service | 117,778 | 122,694 | 4,916 | 4% |
| Capital Projects | 72,493 | 373,615 | 301,122 | 415% |
| Total Expenses | 10,499,779 | 10,832,611 | 332,832 | 3% |
| Revenue: | | | | |
| Charges for Services | 2,393,091 | 2,381,000 | (12,091) | -1% |
| Operating Grants and Contributions | 2,421,307 | 2,482,861 | 61,554 | 3% |
| General Revenues | 6,272,442 | 6,455,019 | 182,577 | 3% |
| Total Revenues | 11,086,840 | 11,318,880 | 232,040 | 2% |
| Change in Net Assets | 587,061 | 486,269 | (100,792) | -17% |
| Beginning Net Assets (Restated) | 10,331,405 | 10,910,293 | 578,888 | 6% |
| Ending Net Assets | \$ 10,918,466 | \$ 11,396,562 | \$ 478,096 | 4% |

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

**Table 4
Statement of Activities Comparison -
Business Type Activities**

| | 2009 | 2010 | Variance | % Change |
|------------------------------|----------------|----------------|-----------------|-----------------|
| Expenses: | | | | |
| Cost of Sales | \$ 112,408 | \$ 118,183 | \$ 5,775 | 5% |
| Personnel Costs | 14,979 | 17,480 | 2,501 | 17% |
| Educational and Recreational | 7,313 | 9,568 | 2,255 | 31% |
| Depreciation | 2,366 | 2,365 | (1) | 0% |
| Miscellaneous | 9,171 | 7,890 | (1,281) | -14% |
| Total Expenses | 146,237 | 155,486 | 9,249 | 6% |
| Revenues: | | | | |
| Charges for Services | 152,363 | 159,922 | 7,559 | 5% |
| Change in Net Assets | 6,126 | 4,436 | (1,690) | -28% |
| Beginning Net Assets | 14,732 | 20,858 | 6,126 | 42% |
| Ending Net Assets | \$ 20,858 | \$ 25,294 | \$ 4,436 | 21% |

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, Boyle County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Boyle County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

On June 30, 2010, the combined ending fund balance of Boyle County's governmental funds was \$3,538,154. Approximately 73% (\$2,568,910) of this was unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance, \$969,244 is reserved to pay encumbrances and special revenue expenses.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

Boyle County has 6 major governmental funds. These are 1.) General Fund; 2.) Public Works (Road) Fund; 3.) Joint Jail Fund; 4.) General Obligation Fund, 5.) Emergency 911 Fund; and 6.) Emergency Medical Services Fund. There are 3 non-major funds. These are 1.) Local Government Economic Assistance Fund; 2.) State Grants Fund; and 3.) Boyle Jail Fund. These funds are combined for this report because their revenues and expenses are smaller than other funds of the County.

The fund statements for the proprietary funds look much like the business-type activities in the government-wide statements. Proprietary fund financial information is measured with the same principles used by commercial enterprises, so this information does not change from the fund statements to the government-wide statements.

Consolidation of County and City governmental activities is still a priority of this County Judge/Executive and Fiscal Court. Prior fiscal years consolidated services includes the Recycling Center, Solid Waste Coordination, Emergency Management, Property Tax Collection, Occupational Tax Collection, Building Inspection, the Emergency Operations Center, and Fire and Rescue. Future consolidations may include Geographic Information Systems and Computer Information Technology services. Meetings have commenced to develop a multi-jurisdictional inter-local agreement for the funding of the E911/Dispatch Center. The current funding mechanism was enacted April 2, 1990.

Boyle County is working to implement a comprehensive website to help users easily obtain continually current governmental information.

Construction is underway for infrastructure that will provide broadband service to areas of Boyle County where there is little or no prospect of future service. Three broadband towers have been completed and designed to provide broadband service to the citizens in the south-west portion of Boyle County. Our provider, at the same time, negotiated contracts with other tower owners to maximize service to our populace. With our three strategically located towers and the tower options negotiated with our provider, we now serve about 98% of our population. We will continue to work with our providers and homeowners to provide services to 100% of the homeowners who want broadband service.

Plans are underway to build a new Judicial Center for Boyle County. The current plan is to build an addition to the existing courthouse and tie the two together buildings in such a way to provide security for court personnel. In anticipation, we have torn down the old abandoned jail which was attached to the courthouse. We are in the very preliminary planning stages. In any event, construction would not be expected to start before late 2012 or early 2013.

Kentucky's Department of Transportation has allocated monies to begin right-of-way acquisition and utility relocation in anticipation of the bypass that would tie Kentucky Highways 33 and 34 together. This would complete an additional leg of the Danville bypass. This bypass would route a great deal of truck traffic off the streets of Danville and make it easier for individuals to navigate around Danville who are traveling to jobs in Lexington. We do not have an anticipated completion date on the bypass.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

The Fiscal Court conducted a surplus sale in April 2010 and sold \$9,772 in vehicles, confiscated items, and office equipment. This sale was advertised in the local newspaper and open to the public.

In January 2009, the Commonwealth of Kentucky was hit with a devastating ice storm. The storm crippled transportation and closed businesses and schools throughout Boyle County. In addition, it knocked out utilities including water, electricity, and in some cases telephones. A major player in the effort was the Federal Emergency Management Agency (FEMA) who required meticulous recordkeeping of all activities. The vast majority of the cleanup work was completed by the end of May 2009 and storm related expense reimbursements were received from FEMA in the amount of \$399,473. All was reimbursed except 10% which will be forthcoming after a final FEMA audit to be performed in the 2010/11 fiscal year.

As part of the ice storm cleanup activities, the Fiscal Court applied for a grant from the State of Kentucky's Division of Waste Management for help in the disposal of personal property losses and received \$20,000 in aid.

In May 2010, the Commonwealth of Kentucky experienced a major flood event which was caused by an incredible amount of rainfall that inundated the region as a result of Gulf of Mexico moisture that was able to find its way into the Ohio Valley. Many locations in South Central Kentucky received from 8-10" of rainfall from early Saturday morning to late Sunday evening. The rain that fell caused flash flooding, areal flooding, mudslides, road closures, evacuations, and copious personal property losses. Again, a major player in the effort was the Federal Emergency Management Agency (FEMA) who required meticulous recordkeeping of all activities. The vast majority of the cleanup work was completed by the end of July 2010 and storm related FEMA expense reimbursement in the amount of \$124,248 is expected during the 2010/11 fiscal year.

The Fiscal Court, over the past few years have expanded the number of outdoor warning sirens placed throughout the County. They currently have nine (9) sirens and in futurity are planning additional placements in the more populated areas which cost approximately \$9,750 each.

Effective September 2009, the State of Kentucky changed the motor vehicle tax law to calculate usage tax on the trade-in value as opposed to retail value on a new vehicle. The effect of this law change benefits the purchaser but puts less tax revenue in the General Fund and County Clerks budgets.

Effective November 30, 2010, the State Board of Elections reduced the amount of reimbursement to the Counties for holding elections from \$200 per precinct to \$194. This is the second reduction in three (3) years. In 2007, Counties received \$300 per precinct. Boyle County has 25 precincts.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

During the winter months of 2009/10, a petition was filed with the Boyle County Clerk asking the Fiscal Court to hold an election for a wet/dry vote for the City of Danville. The twelve (12) precinct election was held March 23, 2010 and the wet vote was passed. The Fiscal Court will benefit from the new business' employee occupational taxes but alcohol sales are statutorily excluded from the calculation of a business' net profits.

Our local, Maria Montgomery, ran in the 2009 Miss USA pageant and won fourth runner up to Miss USA.

Spring of 2009 marked the commencement of the ten-year Federal Census. The census counts provide a guide for the federal government as to how their monies need to be divided up by state and locality. Spring 2009 through the winter months, census workers go door to door to update address lists nationwide. March 2010 forms are mailed or delivered to households. April – July 2010, census workers visit households who did not return the forms by mail. In December 2010, the Census Bureau delivers the population information to the President of the United States for apportionment. In March of 2011, there will be local redistricting data handed down from the Bureau where a local committee with the help of a software program, will review the data and make recommendations to the Fiscal Court.

The Occupational Tax and Net Profits tax was .75%.
Real Property Tax rates were 5.4% per \$100.
Personal Property Tax rates were 6.67% per \$100.
The Motor Vehicle and Watercraft tax rates were 6.9% per \$100.

General Fund

The General Fund is the chief operating fund of Boyle County. At the end of fiscal year 2010, unreserved fund balance of the General Fund was \$2,568,910 while the total fund balance was \$2,624,421. \$528,346 of the total fund balance was invested in Certificates of Deposits with an average rate of return of 3.5%.

Revenue highlights;

The County received \$3,795,002 in occupational tax revenues which accounted for approximately 55% of the general fund revenue and was \$98,692 less than last fiscal year. This was the second consecutive year for a decline; from fiscal year 2008 to 2009, the occupational tax collections declined \$87,758 for a two year loss of \$186,450 or 4.6%. \$1,262,403 was received from real property, personal property, bank deposits, and deed taxes and accounted for approximately 18% of Boyle County's general fund revenues. The county offices of Clerk, Sheriff and Attorney turned over \$312,688 in excess fees which equated to 5% of the general fund revenues. Rentals, Reimbursements and Grants of \$1,224,546 made up 18% of revenues. Service fees, miscellaneous income, and interest earned totaled \$239,220 which equated to 4% of revenues.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

General Fund (Continued):

The General Fund transferred \$2,564,052 of its' occupational tax revenues to other funds to help support operating expenses where there is a revenue shortfall.

The fiscal year 2010 expenses were \$4,434,339. Highlights include...

- a. purchased two (2) new sheriff cruisers totaling \$51,322,
- b. there was no 2009 general election but funded a special wet/dry election at a cost to the taxpayer of \$14,073 and 2010 primary election at a cost of \$52,882,
- c. painted the exterior of the Courthouse to include circuit courtroom window repairs at a cost of \$63,291 of which the Administrative Office of the Courts paid 53%,
- d. installed Courthouse entrance doorways security camera and locking systems at a cost of \$5,545 of which the Administrative Office of the Courts paid 53%,
- e. Fiscal Court razed the old jail adjacent to the Courthouse which was abandoned in 1999 and created temporary additional parking at a cost of \$85,292.51,
- f. implemented a garbage disposal residential sticker program which identifies vehicles who reside in-county and are allowed to dispose of refuse at the Convenience Centers and the turning away of those out-of-county residents hoping to reduce the cost of tipping fees,
- g. purchased a solid waste pickup truck in the amount of \$17,550,
- h. applied for and received a Community Development Block Grant in the amount of \$1,300,000 to aid in the overall cost of \$3,194,000 for a multi-jurisdictional project which will provide sanitary sewer service to residents in the Phylben Village/Airport Road area,
- i. due to a previous federal Land and Water grant requirement of perpetual maintenance, the Fiscal Court resumed the ownership and maintenance of Perryville's Crawford Springs House and Park which was originally donated to the Perryville Battlefield Preservation Association for preservation,
- j. matched the City of Danville's contribution of \$50,000 for a total of \$100,000 in asphalt for maintenance and the expansion of Millennium Park walkways/paths,
- k. the Occupational Tax Administrator refunded \$21,663 in Net Profits taxes,
- l. paid the Public Works, EMS and Recycle portion of the GSC lease payment of \$74,249 to the Fiscal Court's General Obligation Bond Fund, and
- m. included in the General Fund budget are expenses for the joint City of Danville/County of Boyle Recycling Services, City/County Emergency Management Services, City/County Property and Occupational Tax Collection, City/County Building Inspection Program, Solid Waste collection to include open dump and city/county roadside cleanups, Animal Control services for both the City of Danville and County of Boyle, the City/County Parks and Recreation program, City/County Planning and Zoning, the Economic Development Partnership, and non-profit appropriations.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

Public Works (Road) Fund

The Public Works (Road) Fund is used to maintain all county facilities, road projects, bridge construction, and infrastructure maintenance. The June 30, 2010 fund balance was \$72,129. The General Fund transferred \$550,000 for operational expenses from its occupational tax collections. The unusual increase in transfers resulted from paving and stream debris removal project disbursements that will be reimbursed in the 2010/11 fiscal year in the amount of \$229,264. As a result, the 2010/11 budget for transfers was zero.

Revenue Highlights:

Fiscal year 2010 expenditures for road and bridge projects were \$373,370. Of that expenditure the State Transportation Cabinet allocated as a one-time grant the reimbursement of \$298,370 for road resurfacing projects with \$185,258 of those monies to be received in the fiscal year 2011. The Transportation Grant Road projects included Cream Ridge Road, Chenault Bridge Road, and Alum Springs Crosspike.

Expense Highlights;

Due to an inordinate amount of employee retirements, maintenance salaries were down by 19% from the previous fiscal year. Employee benefits, notably Social Security, Medicare, and health insurance, declined accordingly. These positions will be filled progressively in nature.

The United States Department of Agriculture Natural Resources conservation Services, under the emergency watershed protection program, is authorized to assist in relieving hazards created by natural disasters that cause a sudden impairment of a watershed. The NCRS sponsored six (6) projects in Boyle County created by the May 2, 2010 rain event. Projects included were debris removal from Quirks Run, Mill Creek, Minors Branch, Wolford at North Fork of Rolling Fork, Dye Hollow and Phillips Lane to prevent flooding and stream bank erosion. These projects were reimbursed by the NRCS for a total of \$44,006 in fiscal year 2011.

Capital equipment purchases included a zero turn mower in the amount of \$9,000, a repeater replacement in the amount of \$3,041, a new dozer in the amount of \$100,942, a backhoe loader in the amount of \$71,850, a salt spreader for \$5,032, four (4) mobile radios for \$1,200, a level/tripod replacement, a push mower, and an impact wrench.

Capital Construction included the widening and resurfacing of Carpenters Creek Road in the amount of \$75,000 from the Public Works Fund and 43,350 from the Local Government Economic Assistance Coal Funds. Repaving projects included Phillips Spur and Mansfield Roads for a cost of \$3,956.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

Joint Jail Fund

The Joint Jail Fund is used to account for the operation of the Boyle/Mercer County Regional Detention Center. Operational costs are shared by both counties as set out in an inter-local agreement and based on annual inmate population ratios. The inmate ratio contributions for Boyle and Mercer Counties for operational expenses and debt service were based on 61% and 39%, respectively for the 2010 fiscal year.

The Boyle Co. Fiscal Court budget set the number of jail personnel at 45. Based on the 2008/09 inmate cost analysis, the county inmate daily per diem for Boyle and Mercer inmates was set at a charge of \$35.00 per inmate per day. The daily rate of \$29.43 is the billing rate for other county and state inmate detention.

Total jail population has decreased 2% from the previous fiscal year. The combined Boyle and Mercer inmate population has decreased 5% from last fiscal year while the billable inmate population has increased 4%; hence the increase of \$8,121 in state inmate revenue.

It was noted and a concern to the Fiscal Courts that the revenue collected in fiscal years 2009 and 2010 was less than the revenue collected in fiscal year 2005 while expenses have remained constant during the fiscal years 2008, 2009, and 2010.

Due to the Commonwealth of Kentucky's budget constraints, the Department of Corrections cut 8.2% of County allocated allotment and medical payments.

The Joint Jail Committee along with the respective Fiscal Courts have focused this year on containing the number of county inmates and increasing the amount of paying inmates being housed in the detention center.

To address the jail's overcrowding issues and keeping the population at a safe level, every Monday, the Jailer submits a list of county inmates to the Boyle and Mercer County Attorneys for review to possibly accelerate dispositions and to allow for early completion of sentences. As a result, the county inmate population has declined a total of 8% over the last two fiscal years.

It is estimated 80% of the detention center's inmates are incarcerated on drug or drug related offenses. The State of Kentucky offers grants to those jails that implement a Substance Abuse Program. Along with the program, jails are guaranteed additional state inmates at a rate of \$29.43 per inmate per day, \$429,678 a year. Because the jail's state inmate population declined 37% during the 2008/09 fiscal year, the Joint Jail Committee along with the respective Fiscal Courts applied and received an award for an annually renewable Substance Abuse Program grant. This grant pays \$9.00 per day per inmate for all startup and program costs which is administered by, and paid to, WestCare Corp. The Fiscal Court attributes this program to the 4% population increase as noted above. The continuation of this program does not cut into our current allocation of Class D and C inmate population, therefore; there is no concern for those communities/agencies receiving work release inmates.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

Joint Jail Fund (Continued)

The Joint Jail Fund had a June 30, 2010 fund balance of \$77,059.

Revenue Highlights;

June 30, 2010 total revenues and inter-fund transfers were \$3,007,014; up \$116,811 from the previous fiscal year specifically attributed to the expiration of a ten-year Kentucky Local Correctional Facility Construction Authority grant which paid fifty percent (50%) of the jail's construction annual debt service from its own Fund.

This loss now requires both Fiscal Courts to contribute the full amount of the debt service payments from their General Funds which is now passed through the Joint Jail Fund. Expenses were \$2,617,213; down \$80,993 from the previous fiscal year due primarily to expenditures for food and utilities.

The Joint Jail Fund received \$883,436 or 29% of total revenues for housing state prisoners which equated to an average of 72.5 inmates a day at \$31.34 each. This amount represents an increase of \$9,202 from last year with the Fiscal Courts noting a gradual decline early in the fiscal year in the ability to gain access to State inmates. Realizing the situation, the Fiscal Courts then made the decision to implement the Substance Abuse Program in February 2010.

Mercer County contributed \$631,778 toward the operational expenses and debt service of the joint jail which constituted 21% of total revenues. Boyle County's General Fund contributed \$939,052 or 31%.

The inmates themselves contributed directly and indirectly \$290,758 or 9% of total revenue in fees for operational expenses. These dollars came from inmate stay per diem bills, medical copays, hygiene product purchases, court costs, bond fees, work release, DUI fees, and telephone commissions.

To help stimulate revenue, the Fiscal Courts contracted with Advent who runs the "Pay my Jailer" program. This program bills county inmates released from the detention center the \$35.00 per diem based on the number of days incarcerated and offers the inmate repayment options. The jail is now seeing more inmates pay their bills in full upon leaving the detention center.

The other 10% consists of state allotments for county prisoners, canteen staff reimbursements, and other miscellaneous reimbursements and interest.

Expense Highlights;

As the Detention Center continues to age, 34% of the \$40,800 building repair and maintenance expenses went toward plumbing repairs totaling \$13,987. Repairs to the kitchen equipment totaled \$7,072 which equaled 39% of the total equipment repair costs of \$18,139 and washer/dryer repairs totaled \$5,125 or 28%. Building and equipment repairs were lower this fiscal year by 22% from fiscal year 2008/09.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

Joint Jail Fund (Continued)

State inmate medical costs were \$210,124.67. Of the actual provider billings of \$86,311.29, the Fiscal Courts realized \$25,485.05 or 30% in discounts derived from the various medical service provider contracts. After discounts, inmate reimbursements, and state per diem payments, the Fiscal Courts liability totaled \$153,082.

The average meal cost per inmate was \$1.48. This figure does not include facility usage or utilities.

Equipment purchases totaling \$11,657 included a new ice machine in the amount of \$3,267, an inmate restraint board and chair in the amount of \$2,593, new hand-held radios, and miscellaneous items.

Total debt service of \$373,573 was made to the General Obligation Bond Fund.

Emergency Medical Services Fund

The Emergency Medical Services Fund is used to support the operations of an advanced life support ambulance service. The service operates 4 front-line ambulances 24 hours a day, 7 days a week. Personnel are divided into three 24-hour platoons consisting of 8 personnel per shift for a total of 24 fulltime personnel of which 9 are Emergency Medical Technicians and 15 are Paramedics.

Bi-annually, staff is trained to provide in-house mandatory certification training for all personnel saving the Fiscal Court \$70,800. Classes include Advanced Cardiac Life Support at \$18,000; CPR at \$4,800; Pediatric Advanced Life Support at \$18,000; Pre-hospital Trauma Life Support at \$12,000; Neonatal Resuscitation Program at \$12,000; and NREMT Refresher Training at \$6,000.

Personnel has obtained specialty courses at no cost to the Fiscal Court over the years by participating in an instructor exchange program by assisting with teaching or by volunteering to teach a different course for the agency providing the training. The following specialty training was obtained by personnel; University of Maryland Baltimore County Critical Care Paramedic Course - 8 Paramedics totaling \$9,600; Tactical Combat Casualty Care / Tactical Paramedic Training – 10 Paramedics totaling \$10,000; Advanced Burn Life Support – 8 personnel totaling \$800; Advanced HazMat Life Support / ToxMedic – 7 Paramedics totaling \$5,600; and Advanced Medical Life Support / Instructor Certification – 3 Paramedics totaling \$600.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

Emergency Medical Services Fund (Continued)

After 9-11, personnel took advantage of the Department of Homeland Security's training which makes our staff unique to the Commonwealth of Kentucky at no cost to the Fiscal Court. Eight personnel completed five consortium training courses. Each consortium course lasted five days in duration and was valued at \$3,000 per student per course which equates to \$15,000 per student for a total of \$120,000. The following were the five consortium courses; Nuclear/Radiological Response held at the Nuclear Training Site in Mercury, NV; Weapons of Mass Destruction/HazMat Tech/Nerve Agent Training held at the COBRA Facility in Anniston, AL; Terrorist Bombing Course held at New Mexico Tech in Socorro, NM; ACBIRC/Biological Terrorism held at The Proving Grounds in Dugway, UT; and Sampling Tech/FBI Evidence Collection held at the COBRA Facility in Anniston, AL.

The fiscal year end fund balance was \$120,961. Fiscal year 2010 revenues totaled \$1,167,077. Of that, \$1,081,999 was derived from ambulance run medical billings sent to and paid from health insurance companies, Medicaid, Medicare, and individuals. Over the past three (3) fiscal years, this stream of revenue has declined by 12%.

Revenue Highlights;

A contract with Medical Claims Assistance allows the third party administrator to bill and collect accounts receivable with a negotiated 8% collection fee totaling \$83,407. Including refunds, net collections were \$1,080,712.

A Firefighters Grant was awarded for the funding of 4 ambulance powered stretchers, a bariatric transport stretcher, and a bariatric loading system that includes a bariatric ambulance conversion system with folding ramps, winch, and controller assembly. This equipment replaced used, obsolete stretchers and upgraded the service for the bariatric population. The equipment purchase price was \$67,240 and with the Firefighters Grant of \$57,391 and \$3,000 equipment trade-in, the Fiscal Court's matching responsibility was \$6,849.

The Fiscal Court borrowed \$148,000 from the Kentucky Association of Counties Leasing Trust Fund at 4.413% for 24 months for an ambulance chassis and remount.

The Boyle County's General Fund contributed \$950,000 from its occupational tax collections to support the service.

Expense Highlights;

The ambulance service spent \$58,097 in medical supplies, down 14% from last fiscal year. Prior to this fiscal year, on average, medical supplies have increased 9.5% annually for a total of 46% since fiscal year 2004.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

Emergency Medical Services Fund (Continued)

New equipment expenditures for the ambulance service consisted of 4 stair chairs in the amount of \$9,600, a 2010 Expedition Chase Vehicle in the amount of \$31,340, a new ambulance chassis and remount totaling \$153,361, hand-held radios, and global positioning system units all totaling \$196,352.

In October 2009, paid in full an ambulance lease issued in October 2007 with a principal of \$135,000 and an interest rate of 4.535%. This fiscal year's lease payments totaled \$17,920.

This year paid \$70,007 on an ambulance lease issued in February 2009 with a principal of \$135,000 and an interest rate of 3.57 financed for 24 months.

Purchased a new ambulance remount totaling \$153,361. The Fiscal Court financed \$148,000 and applied \$10,084 Senate Bill 66 grant monies toward the purchase price. Paid \$20,433 on the ambulance lease issued in February 2009 with a final payment due date of February 2011.

Emergency 911 Fund

The Emergency 911 Fund was used to support the emergency communication operations of the City of Danville's dispatch center which serves all emergency agencies in Boyle County. Its primary revenue source was a land line fee and cellular telephone fee paid monthly by the consumer. The 2010 fiscal year had a fund balance of \$140,064 of landline revenues and \$336,687 of cellular revenues. The fund balance represents an \$84,178 increase from the previous fiscal year. Of the fund balance, \$228,545 was invested and held in certificate of deposits earning an average of 3.16% annually.

Total revenues were \$218,497 for fiscal year 2010 noting \$8,126 was derived from investment interest. In the last five years, the landline revenues have decreased 10% and cellular revenues have increased 97%. This is due to the consumer no longer using landline telephones as their primary home telephone and the increasing popularity of cellular telephones. The Fiscal Court's landline surcharge to the consumer is \$.50 per line and cellular intergovernmental payments are based on \$.70 per cell phone line.

Certain expenses are 100% cellular revenue specific. Other qualified expenses are based on a ratio of landline and cellular incoming 911 calls. Throughout the fiscal year 2010, the call volume ratio stayed consistently 71% cellular, 29% landline.

Capital expenditures consisted of an air conditioner unit for \$2,980 and console display software in the amount of \$4,998.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

General Obligation Fund

The General Obligation Fund was used to account for the Boyle County Fiscal Court's general obligation bonds Series 2008. Its purpose was to provide the funds necessary to advance refund the outstanding lease revenue bonds Series 1997 of the Boyle County Municipal Properties Corporation. The Series 2008 principal was \$4,120,000 with an average interest rate of 3.09%; total principal and interest is \$4,922,026. The Fiscal Court took action in March 2008 on the new issuance to capitalize over the next 10 years a present value debt service savings of \$340,941 or a net fiscal year savings of \$36,416. Paid \$330,000 in principal and \$117,822 in interest during the fiscal year leaving a principal balance of \$3,460,000 and an interest balance of \$570,673. The final debt service payment is scheduled to be made on February 1, 2019. This fund's financial activity was captured in a subsidiary ledger not to be made part of the Boyle County Fiscal Court's budget but is included in the audited financial statements.

The General Obligation Bond Series 2008 Subsidiary Ledger captured activity for the Bond Fund Account and the Bond Fund Treasury Obligation.

The Bond Fund Account had a beginning and ending balances of \$0.00. Total receipts of \$447,822 were from intergovernmental payments for debt service, interest earned, and a transfer in from the First American Treasury. Total disbursements of \$447,822 were for debt service principal and interest.

The Bond Fund Treasury Obligation had a beginning balance of \$0.00 and an ending balance of \$0.00. Receipts totaled \$447,822 which was from the interest earned on investments and transfers in from the Bond Fund Account. Transfers out to the Bond Fund Account totaled \$447,822.

Local Government Economic Assistance Fund

The Local Government Economic Assistance Fund had a fund balance of \$104,286. \$82,614 was mineral money which can only be used for public safety services and \$21,672 was coal impact money which can only be used for road projects. The fund balance increased \$37,732 from the previous fiscal year.

Intergovernmental revenues decreased this fiscal year by \$10,667. These revenues are derived from local coal impact and mineral taxes passed through the Commonwealth of Kentucky. The decrease in revenue was primarily due to a decrease in crushed rock sales that trickled down from the depressed construction market. This was the lowest recorded mineral revenue since fiscal year 2005.

Total June 30, 2010 expenditures were \$43,585 and of that sum, a road widening and resurfacing project for Carpenters Creek Road cost \$43,350 and \$236 was for administrative costs.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

State Grant Fund

The State Grant Fund was used primarily for the Perryville Battlefield Preservation Association 2000/2002 surplus grant that was temporarily transferred to the TEA-21 Fund for upfront construction costs and transferred back in fiscal year 2006 in the amount of \$120,717. These monies are now being saved for the renovation of the Crawford House located on Highway 68 just outside Perryville, KY which has significant civil war historic value. June 30, 2010 year end fund balance was \$20,234. There was no expenditure activity during this fiscal year. The Fiscal Court has hopes of starting the renovation Spring 2011.

Boyle Jail Fund

The Boyle Jail Fund is used to primarily account for Boyle County's inmate population medical expenses. In addition, the fund accounts for juvenile detention and medical costs. The Boyle Jail fund balance for June 30, 2010 was \$42,313.

Total revenue was \$25,779 which was \$6,559 less than the previous fiscal year due to the decrease in inmate medical copays. Inmates contributed \$18,022 to their medical costs and the Commonwealth of Kentucky's reimbursements totaled \$7,674 which was down by \$1,145 from last year. Boyle County's General Fund contributed \$125,000 from occupational tax collections, down \$50,000 from last fiscal year.

Total expenses were \$185,609 and of that amount, \$183,266 was inmate medical service expenses utilizing \$166,816 or 47% in contracted discounts derived from the various medical service provider contracts. Inmate medical costs have increased by only \$5,368 from last fiscal year.

TEA-21 Fund

The TEA-21 Fund is a Federal Highways grant fund that operates as a conduit for historic preservation dollars funding the Perryville Battlefield Preservation Association. Originally this fund was budgeted to support a \$20,213 match to a Perryville Battlefield Preservation Association federal grant for the interior restoration of the Johnson House on Merchants Row. The Perryville Battlefield Preservation Association declined the award due to the reallocation of priorities and the lack of funds.

Boyle County Municipal Properties Corporation

The Boyle County Municipal Properties Corporation is a blended component unit of Boyle County and was formed on July 23, 1974 by the members of the Boyle County Fiscal Court to act as an agency of the County in planning, financing, acquisition and developing of public projects and improvements. The Corporation's directors consist of the seven members of the Fiscal Court (the County Judge/Executive and six Magistrates). Each of these elected officials shall serve as a director during his or her term in public office.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

Boyle County Municipal Properties Corporation (Continued)

The net assets / fund balance at the end of June 2008 is \$0. The Boyle County Fiscal Court will continue to keep the Corporation in active compliance with the office of the Secretary of State.

Proprietary Funds Overview. Boyle County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Boyle County has two enterprise funds...

Jail Canteen Fund

The Jail Canteen Fund. The Jail Canteen Fund had net assets of \$25,294. The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates.

Health Insurance Fund

The Health Insurance Fund supports Boyle County's partially self-funded employee health insurance program. The County transferred from each fund (General, Road, Joint Jail and EMS) the amount for a single policy for each employee who was eligible and elects to receive coverage. Calendar year 2009 single policy was \$826.65 and \$805.85 for 2010. Beginning January 1, 2010, no longer will all employees pay a \$35.00 single premium. Instead, the Fiscal Court wants their employees to focus on wellness and have contracted with a firm that provides wellness activities and challenges throughout the plan year. Any employee who selected a plan that was not a single plan (i.e. family) had the additional premium deducted from their paychecks. The fund pays for all qualified employee medical expenses during the plan year. The June 30, 2010 fund balance was \$395,085. Between the fiscal year of 2004 and 2007, the General Fund loaned the Health Insurance Fund \$497,500 to help pay under-funded employee health insurance claims. It is the goal of Boyle County to repay those dollars back to the General fund as the Health Insurance Fund gains a stable fund balance.

The following premiums for calendar year 2009 and 2010 were charged for single, + one, and family plans. Note the Fiscal Court's premiums saw a reduction due to lower claims and a lower amount of specific claims.

Single = \$826.65 / \$805.85

+ one = \$1,049.40 / \$1,015.92

Family = \$1,273.14 / \$1,234.95

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

Health Insurance Fund (Continued)

For those employees who opt out of the health insurance program, the Fiscal Court allows for an employee health reimbursement account. The Fiscal Court contributes \$2,400 on behalf of each employee to be used for qualified medical expenses their primary insurance would not cover. Proof of spousal health insurance was required to participate in this program.

The total expense for the fund was \$1,417,686. Employee health insurance claims paid made up the majority at \$1,110,963. Other expenses consisted of health reimbursements to the employees in the amount of \$28,387, health insurance third party administrative fees and premiums in the amount of \$270,941, and employee disease management and wellness programs in the amount of \$7,395.

The Fiscal Court contributed \$37,000 for those employees who opted out of the insurance program and participated in the health reimbursement account. After reimbursements, the account was able to keep the unused portion of \$8,613.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary comparison schedules include information about both the original budget and the amended budget. Generally, budgets are amended to add projects that were not anticipated when the budget was first adopted. Revenue budgets are usually estimated lower to allow budgetary flexibility for additional projects.

Boyle County's original budget was \$16,080,368. There were no amendments during the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Boyle County's investment in capital assets for its government and business-type activities as of June 30, 2010, amounts to \$11,098,647 for governmental activities and \$4,755 for business-type activities (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and current year infrastructure additions.

Major capital asset events during fiscal year 2010 were due to infrastructure improvement projects and equipment purchases reported in the governmental fund highlights portion of this document. Incorporated in the Joint Jail Fund was the Series 1997 bond issue of the Municipal Properties Corporation that was consolidated into the Series 2008 general obligation bond issue and along with that bond refunding, the Municipal Properties Corporation transferred the Government Services Center to Boyle County along with all equipment purchased with the Series 1997 bond issue.

Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets

Boyle County's capital assets, net of accumulated depreciation are summarized below:

Table 5
Capital Assets Comparison, Net of Accumulated
Depreciation - Governmental Activities

| | 2009 | 2010 | Variance | % Change |
|----------------------------|----------------------|----------------------|-------------------|-----------------|
| Land and Land Improvements | \$ 172,999 | \$ 253,015 | \$ 80,016 | 46% |
| Buildings | 5,086,276 | 5,029,855 | (56,421) | -1% |
| Machinery and Equipment | 1,440,194 | 1,521,856 | 81,662 | 6% |
| Vehicles | 998,026 | 999,607 | 1,581 | 0% |
| Infrastructure | 2,968,905 | 3,294,314 | 325,409 | 11% |
| Total Net Capital Assets | <u>\$ 10,666,400</u> | <u>\$ 11,098,647</u> | <u>\$ 432,247</u> | <u>4%</u> |

Table 6
Capital Assets Comparison, Net of Accumulated
Depreciation - Business Type Activities

| | 2009 | 2010 | Variance | % Change |
|--------------------------|-----------------|-----------------|-------------------|-----------------|
| Vehicles | \$ 7,120 | \$ 4,755 | \$ (2,365) | -33% |
| Total Net Capital Assets | <u>\$ 7,120</u> | <u>\$ 4,755</u> | <u>\$ (2,365)</u> | <u>-33%</u> |

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-Term Debt

The principal outstanding on Boyle County's long-term debt is summarized in the following table.

**Table 7
Boyle County Fiscal Court's Outstanding Debt - Governmental Activities**

| | 2009 | 2010 | Variance | % Change |
|-----------------------|---------------------|---------------------|---------------------|-----------------|
| Financing Obligations | \$ 130,813 | \$ 175,324 | \$ 44,511 | 34% |
| Bonds | 3,790,000 | 3,460,000 | (330,000) | -9% |
| | <u>\$ 3,920,813</u> | <u>\$ 3,635,324</u> | <u>\$ (285,489)</u> | <u>-7%</u> |

At the end of the 2010 fiscal year, Boyle County had total long-term debt outstanding of \$3,635,324 and the amount of this debt due within the next year is 462,556. The County's debt was decreased by \$285,489 during the fiscal year 2010. This debt is primarily for the construction of the Government Services Center (GSC) which houses the detention center, recycling center, public works department and the emergency medical services. In addition to the GSC, the outstanding debt figure includes two ambulance remounts.

ECONOMIC FACTORS AFFECTING NEXT YEAR'S BUDGET

The current recession is considered one of the worst since the Great Depression of the 1930s. Since 2007, much of the industrialized world entered into a recession sparked by a financial crisis which was caused in part by the combination of a real estate bubble in the United States and the securitization of real estate mortgages in a way which made the risk of mortgage-backed securities difficult to assess. Sub-prime loan losses in 2007 exposed other risky loans and over-inflated asset prices.

Reports state that the "Great Recession" ended in June 2009. That makes the 18-month recession that started in December 2007, the longest and deepest downturn for the U.S. economy since the Great Depression. This does on conclude that the economy has returned to operating at a normal capacity but that it has been slowly and steadily growing. The broadest measure of our nation's economic health is found looking at gross domestic product. In addition, the weight of economic health bears on employment, industrial production, income and sales. Gross domestic product has recovered to about 70% of its pre-recession level. Economists feel that the bailouts and stimulus packages have been key to this process. Industrial production and sales have also rebounded nicely. An area of continued weakness is employment. Only 9% of job losses during the recession have returned. Unemployment rates remained constant throughout the fiscal year and ranged from 9.5% to 10%. Top economists forecast that weaker economic data have led to a rising fear of a double dip recession.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2010
(Continued)**

ECONOMIC FACTORS AFFECTING NEXT YEAR'S BUDGET (Continued)

Ten big banks were informed by regulators that they were considered financially stable enough to repay and exit the governments Troubled Asset Relief Program (TARP). Taxpayers received dividends on their investment in these banks.

As all things trickle down, on a local level, the Boyle County Fiscal Court realized a reduction in the value of their property tax growth assessment by \$7,943,435. This is the direct result of limited housing and building construction and reduced market assessments. This was the only assessment year that fell in the negative going back to 1997 records. The next lowest was in 2002, with a minimal assessment growth gain of \$9,327,444. To keep Boyle County's budgeted tax revenue at the same level, the compensating real tax rate increased .2 cents per hundred dollars and personal tax rate increased .02 cents.

As of October 31, 2010, the unemployment rate in Boyle County was 11.1% which is .4% higher than the 10.7% rate from the previous year. This compares unfavorably to the state rate of 10% for the same period. The United States unemployment rate decreased to 9.7% by October 2010.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Boyle County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Boyle County Treasurer's Office, 321 W. Main Street, Danville, KY 40422, telephone number (859) 238-1118 between the hours of 8:30 am and 4:00 pm.

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BOYLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

BOYLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

| | Primary Government | | |
|--|---------------------------|----------------------|----------------------|
| | Governmental | Business-Type | |
| | Activities | Activities | Totals |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 3,933,239 | \$ 20,539 | \$ 3,953,778 |
| Total Current Assets | <u>3,933,239</u> | <u>20,539</u> | <u>3,953,778</u> |
| Noncurrent Assets: | | | |
| Capital Assets - Net of Accumulated Depreciation | | | |
| Land and Land Improvements | 253,015 | | 253,015 |
| Buildings | 5,029,855 | | 5,029,855 |
| Machinery and Equipment | 1,521,856 | | 1,521,856 |
| Vehicles | 999,607 | 4,755 | 1,004,362 |
| Infrastructure Assets - Net of Depreciation | <u>3,294,314</u> | | <u>3,294,314</u> |
| Total Noncurrent Assets | <u>11,098,647</u> | <u>4,755</u> | <u>11,103,402</u> |
| Total Assets | <u>15,031,886</u> | <u>25,294</u> | <u>15,057,180</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Bonds Payable | 340,000 | | 340,000 |
| Financing Obligations Payable | <u>122,556</u> | | <u>122,556</u> |
| Total Current Liabilities | <u>462,556</u> | | <u>462,556</u> |
| Noncurrent Liabilities: | | | |
| Bonds Payable | 3,120,000 | | 3,120,000 |
| Financing Obligations Payable | <u>52,768</u> | | <u>52,768</u> |
| Total Noncurrent Liabilities | <u>3,172,768</u> | | <u>3,172,768</u> |
| Total Liabilities | <u>3,635,324</u> | | <u>3,635,324</u> |
| NET ASSETS | | | |
| Invested in Capital Assets, Net of Related Debt | 7,463,323 | 4,755 | 7,468,078 |
| Restricted For: | | | |
| Health Insurance Benefits | 395,085 | | 395,085 |
| Unrestricted | <u>3,538,154</u> | <u>20,539</u> | <u>3,558,693</u> |
| Total Net Assets | <u>\$ 11,396,562</u> | <u>\$ 25,294</u> | <u>\$ 11,421,856</u> |

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010

BOYLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

| | | Program Revenues Received | |
|--|---------------|---------------------------|--|
| Functions/Programs Reporting Entity | Expenses | Charges for Services | Operating Grants and Contributions |
| Primary Government: | | | |
| Governmental Activities: | | | |
| General Government | \$ 4,190,176 | \$ 124,392 | \$ 273,143 |
| Protection to Persons and Property | 3,976,536 | 2,121,195 | 1,174,566 |
| General Health and Sanitation | 1,361,969 | 135,413 | 51,219 |
| Social Services | 88,500 | | |
| Recreation and Culture | 310,086 | | |
| Transportation Facilities and Services | 12,619 | | |
| Roads | 378,277 | | 983,933 |
| Airports | 18,139 | | |
| Interest On Long-term Debt | 122,694 | | |
| Capital Projects | 373,615 | | |
| Total Governmental Activities | 10,832,611 | 2,381,000 | 2,482,861 |
| Business-type Activities: | | | |
| Jail Canteen | 155,486 | 159,922 | |
| Total Business-type Activities | 155,486 | 159,922 | |
| Total Primary Government | \$ 10,988,097 | \$ 2,540,922 | \$ 2,482,861 |

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Occupational Taxes

Other Taxes

Excess Fees

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

| Net (Expenses) Revenues and Changes in Net Assets | | |
|--|-------------------------------------|----------------|
| Primary Government | | |
| Governmental Activities | Business-Type Activities | Totals |
| \$ (3,792,641) | \$ | \$ (3,792,641) |
| (680,775) | | (680,775) |
| (1,175,337) | | (1,175,337) |
| (88,500) | | (88,500) |
| (310,086) | | (310,086) |
| (12,619) | | (12,619) |
| 605,656 | | 605,656 |
| (18,139) | | (18,139) |
| (122,694) | | (122,694) |
| (373,615) | | (373,615) |
| (5,968,750) | | (5,968,750) |
| | 4,436 | 4,436 |
| | 4,436 | 4,436 |
| (5,968,750) | 4,436 | (5,964,314) |
| 791,953 | | 791,953 |
| 130,917 | | 130,917 |
| 89,829 | | 89,829 |
| 3,795,002 | | 3,795,002 |
| 236,466 | | 236,466 |
| 312,688 | | 312,688 |
| 1,034,761 | | 1,034,761 |
| 63,403 | | 63,403 |
| 6,455,019 | | 6,455,019 |
| 486,269 | 4,436 | 490,705 |
| 10,910,293 | 20,858 | 10,931,151 |
| \$ 11,396,562 | \$ 25,294 | \$ 11,421,856 |

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

BOYLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

| | General Fund | Road Fund | Joint Jail Fund | General Obligation Fund | Emergency 911 Fund |
|---------------------------|-------------------------|----------------------|--------------------------------|--|-----------------------------------|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 2,624,421 | \$ 72,129 | \$ 77,059 | \$ | \$ 476,751 |
| Total Assets | <u>2,624,421</u> | <u>72,129</u> | <u>77,059</u> | | <u>476,751</u> |
| FUND BALANCES | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 55,511 | 16,482 | 60,114 | | 4,342 |
| Unreserved: | | | | | |
| General Fund | 2,568,910 | | | | |
| Special Revenue Funds | | 55,647 | 16,945 | | 472,409 |
| Total Fund Balances | <u>\$ 2,624,421</u> | <u>\$ 72,129</u> | <u>\$ 77,059</u> | <u>\$</u> | <u>\$ 476,751</u> |

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2010
(Continued)

| Emergency Medical Services Fund | Non- Major Funds | Total Governmental Funds |
|--|---------------------------------|---|
| <u>\$ 120,961</u> | <u>\$ 166,833</u> | <u>\$ 3,538,154</u> |
| <u>120,961</u> | <u>166,833</u> | <u>3,538,154</u> |
| 10,519 | 9,432 | 156,400 |
| 110,442 | 157,401 | 2,568,910 |
| <u>\$ 120,961</u> | <u>\$ 166,833</u> | <u>\$ 3,538,154</u> |

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

| | |
|--|----------------------|
| Total Fund Balances | \$ 3,538,154 |
| Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because: | |
| Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds. | 17,293,436 |
| Accumulated Depreciation | (6,194,789) |
| Internal Service Fund is Used by Management to Charge the Cost of Health Insurance to Individual Funds. The Assets and Liabilities Are Included in Governmental Activities on the Statement of Net Assets. | 395,085 |
| Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds. | |
| Financing Obligations | (175,324) |
| Bonds | <u>(3,460,000)</u> |
| Net Assets Of Governmental Activities | <u>\$ 11,396,562</u> |

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

BOYLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

| | <u>General Fund</u> | <u>Road Fund</u> | <u>Joint Jail Fund</u> | <u>General Obligation Fund</u> |
|---|-------------------------|----------------------|--------------------------------|--|
| REVENUES | | | | |
| Taxes | \$ 5,043,996 | \$ | \$ | \$ |
| Excess Fees | 312,688 | | | |
| Licenses and Permits | 31,915 | | | |
| Intergovernmental | 386,585 | 902,728 | 1,773,053 | |
| Charges for Services | 90,882 | | 156,142 | |
| Miscellaneous | 924,190 | 10,991 | 138,325 | |
| Interest | 52,605 | 1,647 | 442 | |
| Total Revenues | <u>6,842,861</u> | <u>915,366</u> | <u>2,067,962</u> | |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 2,410,841 | | | |
| Protection to Persons and Property | 139,237 | | 1,873,120 | |
| General Health and Sanitation | 1,301,815 | 50,000 | | |
| Social Services | 88,500 | | | |
| Recreation and Culture | 309,519 | | | |
| Transportation Facilities and Services | | 12,619 | | |
| Roads | | 769,841 | | |
| Airports | 18,139 | | | |
| Debt Service: | | | | |
| Principal | | | | 330,000 |
| Interest | | | | 117,822 |
| Capital Projects | 245 | 373,370 | | |
| Administration | 166,043 | 242,097 | 744,093 | |
| Total Expenditures | <u>4,434,339</u> | <u>1,447,927</u> | <u>2,617,213</u> | <u>447,822</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>2,408,522</u> | <u>(532,561)</u> | <u>(549,251)</u> | <u>(447,822)</u> |
| Other Financing Sources (Uses) | | | | |
| Adjustment to Prior Year Surplus | | | 11 | |
| Financing Obligation Proceeds | | | | |
| Transfers From Other Funds | | 550,000 | 939,052 | 447,822 |
| Transfers To Other Funds | (2,638,301) | | (373,573) | |
| Total Other Financing Sources (Uses) | <u>(2,638,301)</u> | <u>550,000</u> | <u>565,490</u> | <u>447,822</u> |
| Net Change in Fund Balances | (229,779) | 17,439 | 16,239 | |
| Fund Balances - Beginning | 2,854,200 | 54,690 | 60,820 | |
| Fund Balances - Ending | <u>\$ 2,624,421</u> | <u>\$ 72,129</u> | <u>\$ 77,059</u> | <u>\$ 0</u> |

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

| Emergency 911 Fund | Emergency Medical Services Fund | Non- Major Funds | Total Governmental Funds |
|-----------------------------------|--|---------------------------------|---|
| \$ 69,285 | \$ | \$ | \$ 5,113,281 |
| | | | 312,688 |
| | | | 31,915 |
| 141,086 | 67,475 | 88,879 | 3,359,806 |
| | 1,081,999 | | 1,329,023 |
| | 17,237 | 18,022 | 1,108,765 |
| 8,126 | 366 | 216 | 63,402 |
| <u>218,497</u> | <u>1,167,077</u> | <u>107,117</u> | <u>11,318,880</u> |
| | | | 2,410,841 |
| 134,319 | 1,428,075 | 184,758 | 3,759,509 |
| | | | 1,351,815 |
| | | | 88,500 |
| | | | 309,519 |
| | | | 12,619 |
| | | 43,350 | 813,191 |
| | | | 18,139 |
| | 103,489 | | 433,489 |
| | 4,872 | | 122,694 |
| | | | 373,615 |
| | 660,051 | 1,086 | 1,813,370 |
| <u>134,319</u> | <u>2,196,487</u> | <u>229,194</u> | <u>11,507,301</u> |
| | | | |
| <u>84,178</u> | <u>(1,029,410)</u> | <u>(122,077)</u> | <u>(188,421)</u> |
| | | | |
| | 2 | | 13 |
| | 148,000 | | 148,000 |
| | 950,000 | 125,000 | 3,011,874 |
| | | | (3,011,874) |
| | <u>1,098,002</u> | <u>125,000</u> | <u>148,013</u> |
| | | | |
| 84,178 | 68,592 | 2,923 | (40,408) |
| 392,573 | 52,369 | 163,910 | 3,578,562 |
| <u>\$ 476,751</u> | <u>\$ 120,961</u> | <u>\$ 166,833</u> | <u>\$ 3,538,154</u> |

The accompanying notes are an integral part of the financial statements.

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**BOYLE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2010

BOYLE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

Reconciliation to the Statement of Activities:

| | |
|--|-------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (40,408) |
|--|-------------|

Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

| | |
|------------------------------------|-----------|
| Capital Outlay | 1,275,319 |
| Depreciation Expense | (673,350) |
| Assets disposed of, net book value | (161,549) |

| | |
|--|-----------|
| Internal Service Fund is Used by Management to Charge the Cost of Health Insurance to Individual Funds. The Assets and Liabilities Are Included in Governmental Activities on the Statement of Net Assets. | (199,232) |
|--|-----------|

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

| | |
|--|-----------|
| Financing Obligations Proceeds | (148,000) |
| Financing Principal Obligations Payments | 103,489 |
| Bond Principal Payments | 330,000 |

| | |
|---|------------|
| Change in Net Assets of Governmental Activities | \$ 486,269 |
|---|------------|

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BOYLE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

BOYLE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

| | Business-Type Activities - Enterprise Fund | Governmental Activities - Internal Service Fund |
|--|---|--|
| | Jail Canteen Fund | Health Insurance Fund |
| Assets | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 20,539 | \$ 395,085 |
| Total Current Assets | <u>20,539</u> | <u>395,085</u> |
| Noncurrent Assets: | | |
| Capital Assets: | | |
| Vehicles and Equipment | 19,893 | |
| Less Accumulated Depreciation | <u>(15,138)</u> | |
| Total Noncurrent Assets | <u>4,755</u> | |
| Total Assets | <u>25,294</u> | <u>395,085</u> |
| Net Assets | | |
| Invested in Capital Assets, Net of Related Debt | 4,755 | |
| Restricted | | 395,085 |
| Unrestricted | 20,539 | |
| Total Net Assets | <u>\$ 25,294</u> | <u>\$ 395,085</u> |

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

BOYLE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

| | Business-Type Activities - Enterprise Fund | Governmental Activities - Internal Service Fund |
|---|---|--|
| | Jail Canteen Fund | Health Insurance Fund |
| Operating Revenues | | |
| Canteen Receipts | \$ 159,922 | \$ |
| Premiums | | 1,204,989 |
| Refunds/Reimbursements | | 11,606 |
| Total Operating Revenues | <u>159,922</u> | <u>1,216,595</u> |
| Operating Expenses | | |
| Cost of Sales | 118,183 | |
| Educational and Recreational | 9,568 | |
| Personnel Costs | 17,480 | |
| Depreciation | 2,365 | |
| Miscellaneous | 7,890 | |
| Claims Paid | | 1,146,745 |
| Administration Fees | | 270,941 |
| Total Operating Expenses | <u>155,486</u> | <u>1,417,686</u> |
| Operating Income (Loss) | <u>4,436</u> | <u>(201,091)</u> |
| Nonoperating Revenues (Expenses) | | |
| Interest Income | | 1,859 |
| Total Nonoperating Revenues (Expenses) | | <u>1,859</u> |
| Change In Net Assets | 4,436 | (199,232) |
| Total Net Assets - Beginning | <u>20,858</u> | <u>594,317</u> |
| Total Net Assets - Ending | <u>\$ 25,294</u> | <u>\$ 395,085</u> |

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

BOYLE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

| | Business-Type Activities - Enterprise Fund | Governmental Activities - Internal Service Fund | |
|---|---|--|-------------------|
| | Jail Canteen Fund | Health Insurance Fund | Totals |
| Cash Flows From Operating Activities | | | |
| Cash Receipts From Customers | \$ 159,922 | | \$ 159,922 |
| Cash Receipts For Premiums | | 1,204,989 | 1,204,989 |
| Cash Receipts For Refunds/Reimbursements | | 11,606 | 11,606 |
| Cash Payments To Vendors For Goods And Services | (127,751) | | (127,751) |
| Cash Payments For Personnel Costs | (17,480) | | (17,480) |
| Cash Payments For Miscellaneous | (7,890) | | (7,890) |
| Cash Payments For Claims | | (1,146,745) | (1,146,745) |
| Cash Payments For Administrative Fees | | (270,941) | (270,941) |
| Net Cash Provided By Operating Activities | <u>6,801</u> | <u>(201,091)</u> | <u>(194,290)</u> |
| Cash Flows From Investing Activities | | | |
| Interest Earned | | 1,859 | 1,859 |
| Net Cash Provided By Investing Activities | | <u>1,859</u> | <u>1,859</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 6,801 | (199,232) | (192,431) |
| Cash and Cash Equivalents - July 1 | <u>13,738</u> | <u>594,317</u> | <u>608,055</u> |
| Cash and Cash Equivalents - June 30 | <u>\$ 20,539</u> | <u>\$ 395,085</u> | <u>\$ 415,624</u> |

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

| | Business-Type Activities - Enterprise Fund | Activities - Internal Service Fund |
|---|---|---|
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities | Jail Canteen Fund | Health Insurance Fund |
| Operating Income (Loss) | \$ 4,436 | \$ (199,232) |
| Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities | | |
| Depreciation Expense | <u>2,365</u> | <u></u> |
| Net Cash Provided By Operating Activities | <u>\$ 6,801</u> | <u>\$ (199,232)</u> |

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

BOYLE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

| | <u>Agency Fund</u> |
|------------------------------------|--|
| | |
| | <u>Jail Inmate Fund</u> |
| | |
| Assets | |
| Current Assets: | |
| Cash and Cash Equivalents | <u>\$ 62,417</u> |
| | |
| Total Assets | <u> 62,417</u> |
| | |
| Liabilities | |
| Amounts Held In Custody For Others | <u> 62,417</u> |
| | |
| Total Liabilities | <u><u> 62,417</u></u> |

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Boyle County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Boyle County Public Properties Corporation

The Boyle County Public Properties Corporation (Corporation) cannot be sued in its own name without recourse to the Boyle County Fiscal Court. The Corporation's governing body consists entirely of Fiscal Court members. The Fiscal Court is able to impose its will on the Corporation, as the Corporation was created solely for the benefit of the Fiscal Court per KRS 58.180 to act as an agent in the construction of the county jail building. The Fiscal Court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the Fiscal Court.

C. Boyle County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Boyle County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Boyle County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Joint Jail Fund - The primary purpose of this fund is to account for the jail expenses of Boyle and Mercer counties. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

General Obligation Bond Fund - This is for the accumulation of resources for, and the payment of general long-term debt principal and interest associated with the construction of the government services center, which consists of the regional jail facility and emergency medical and road maintenance facilities. The Department for Local Government does not require the fiscal court to report or budget these funds.

Emergency 911 Fund - This fund is used to support the operation of the County's emergency operations communications. The fund is supported in whole by land line and cellular telephone fees paid monthly by consumers.

Emergency Medical Services Fund - The primary purpose of this fund is to account for the ambulance receipts and expenditures. The primary sources of revenue are grants and charges for services.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, State Grant Fund, and Jail Fund.

Special Revenue Funds:

The Road Fund, Joint Jail Fund, Emergency 911 Fund, Emergency Medical Services Fund, Local Government Economic Assistance Fund, State Grant Fund, and Jail Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The General Obligation Bond Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

The primary government reports the following major proprietary funds:

Enterprise Fund

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Internal Service Fund

Health Insurance Fund - This fund accounts for goods or services provided by one governmental department or agency to another. The Health Insurance Fund of the Fiscal Court is reported as an internal service fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Utility Tax Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

| | Capitalization Threshold | Useful Life (Years) |
|-------------------------------------|-----------------------------|------------------------|
| Land Improvements | \$ 7,500 | 10-45 |
| Buildings and Building Improvements | \$ 20,000 | 10-60 |
| Machinery and Equipment | \$ 1,000 | 3-20 |
| Vehicles | \$ 1,000 | 3-12 |
| Infrastructure | \$ 5,000 | 10-40 |

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

J. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The State Local Finance Officer does not require the General Obligation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements. The State Local Finance Officer does not require the Jail Canteen Fund and the Jail Inmate Agency Fund to be budgeted because the Fiscal Court does not approve the expenses made from these funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

K. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the following are considered a related organization of Boyle County Fiscal Court: Water District.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of the Boyle County Fiscal Court: Parks and Recreation and Danville-Boyle County Economic Development Partnership, Inc.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(D). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of June 30, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

| | Reporting Entity | | | |
|--|----------------------|-------------------|---------------------|----------------------|
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Primary Government: | | | | |
| <u>Governmental Activities:</u> | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 159,020 | \$ | \$ | \$ 159,020 |
| Total Capital Assets Not Being Depreciated | 159,020 | | | 159,020 |
| Capital Assets, Being Depreciated: | | | | |
| Land Improvements | 18,648 | 81,619 | | 100,267 |
| Buildings and Improvements | 7,281,481 | 60,000 | | 7,341,481 |
| Machinery and Equipment | 2,781,814 | 383,034 | (146,062) | 3,018,786 |
| Vehicles | 1,881,240 | 305,014 | (344,440) | 1,841,814 |
| Infrastructure | 4,386,416 | 445,652 | | 4,832,068 |
| Total Capital Assets Being Depreciated | 16,349,599 | 1,275,319 | (490,502) | 17,134,416 |
| Less Accumulated Depreciation For: | | | | |
| Land Improvements | (4,669) | (1,603) | | (6,272) |
| Buildings and Improvements | (2,195,205) | (116,421) | | (2,311,626) |
| Machinery and Equipment | (1,349,793) | (233,893) | 86,756 | (1,496,930) |
| Vehicles | (883,214) | (201,190) | 242,197 | (842,207) |
| Infrastructure | (1,417,511) | (120,243) | | (1,537,754) |
| Total Accumulated Depreciation | (5,850,392) | (673,350) | 328,953 | (6,194,789) |
| Total Capital Assets, Being Depreciated, Net | 10,499,207 | 601,969 | (161,549) | 10,939,627 |
| Governmental Activities Capital Assets, Net | <u>\$ 10,658,227</u> | <u>\$ 601,969</u> | <u>\$ (161,549)</u> | <u>\$ 11,098,647</u> |
| <u>Business-Type Activities:</u> | | | | |
| Capital Assets, Being Depreciated: | | | | |
| Vehicles and Equipment | \$ 19,893 | \$ | \$ | \$ 19,893 |
| Total Capital Assets Being Depreciated | 19,893 | | | 19,893 |
| Less Accumulated Depreciation For: | | | | |
| Vehicles and Equipment | (12,773) | (2,365) | | (15,138) |
| Total Accumulated Depreciation | (12,773) | (2,365) | | (15,138) |
| Total Capital Assets, Being Depreciated, Net | 7,120 | (2,365) | | 4,755 |
| Business-Type Activities Capital Assets, Net | <u>\$ 7,120</u> | <u>\$ (2,365)</u> | <u>\$</u> | <u>\$ 4,755</u> |

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

| | |
|--|-------------------|
| General Government | \$ 93,580 |
| Protection to Persons and Property | 324,635 |
| General Health and Sanitation | 46,250 |
| Recreation and Culture | 567 |
| Roads, Including Depreciation of General Infrastructure Assets | <u>208,318</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 673,350</u> |

Business-Type Activities

| | |
|---|-----------------|
| Jail Canteen | <u>\$ 2,365</u> |
| Total Depreciation Expense - Business-Type Activities | <u>\$ 2,365</u> |

Note 4. Long-term Debt

A. General Obligation Bonds – Series 2008

On March 11, 2008, the Boyle County Fiscal Court issued \$4,120,000 of General Obligation Bonds for the purpose of providing funds to refund and redeem the Lease Revenue Bonds, Series 1997 which were used to finance the costs of a government services center, consisting of a regional jail facility and emergency medical and road maintenance facilities. The refunding was carried out to achieve debt service savings and to remove certain encumbrances on the government services center. Principal payments are due annually on February 1, and interest, which varies from 3.00% to 3.25%, is payable semiannually on February 1 and August 1. The outstanding principal balance as of June 30, 2010 was \$3,460,000.

Call Provisions:

The 2008 series bonds maturing on or after February 1, 2019, are subject to redemption by the County, at its option (and upon its written discretion to the Trustee) prior to maturity on February 1, 2018 and on any date thereafter in whole, or from time to time, in increments of \$5,000 and in any order of maturity (less than all of a single maturity to be selected by the Trustee) at a redemption price equal to 100% of the principal amount plus accrued interest to the redemption date.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Long-Term Debt (Continued)

A. General Obligation Bonds – Series 2008 (Continued)

Future principal and interest requirements are:

| Fiscal Year Ended June 30 | Principal | Interest |
|------------------------------|-------------------------|-----------------------|
| 2011 | 340,000 | 107,923 |
| 2012 | 350,000 | 97,723 |
| 2013 | 360,000 | 87,223 |
| 2014 | 370,000 | 76,423 |
| 2015 | 385,000 | 65,323 |
| 2016-2019 | <u>1,655,000</u> | <u>136,062</u> |
| Total | <u><u>3,460,000</u></u> | <u><u>570,675</u></u> |

B. Ambulance

On October 1, 2007, the Boyle County Fiscal Court entered into a \$112,700 loan agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of an ambulance, at an effective interest rate of 4.535% for a period of two years, with principal and interest paid monthly. The rate in the lease was fixed through the use of an interest rate swap between the Trustee and a third party financial institution. The Trustee has the right to charge any costs associated with the interest rate swap to Boyle County through additional future rentals. The debt was fully paid in October 2009 and no additional rentals were charged to the county.

C. Ambulance

On February 20, 2009, the Boyle County Fiscal Court entered into a \$135,000 loan agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of an ambulance, at an effective interest rate of 3.818% for a period of two years, with principal and interest paid monthly. The ending principal balance at June 30, 2010 was \$45,992.

| Fiscal Year Ended June 30 | Principal | Interest |
|------------------------------|----------------------|-------------------|
| 2011 | <u>45,992</u> | <u>655</u> |
| Total | <u><u>45,992</u></u> | <u><u>655</u></u> |

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Long-Term Debt (Continued)

D. Ambulance

On March 15, 2010, the Boyle County Fiscal Court entered into a \$148,000 loan agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of an ambulance, at an effective interest rate of 4.413% for a period of two years, with principal and interest paid monthly. The ending principal balance at June 30, 2010 was \$129,332.

Future principal and interest requirements are:

| | Fiscal Year Ended June 30 | Principal | Interest |
|-------|------------------------------|-----------------------|---------------------|
| 2011 | | 76,564 | 4,134 |
| 2012 | | <u>52,768</u> | <u>1,012</u> |
| Total | | <u><u>129,332</u></u> | <u><u>5,146</u></u> |

E. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------------|----------------------------|--------------------------|--------------------------|----------------------------|--------------------------|
| Primary Government: | | | | | |
| <u>Governmental Activities:</u> | | | | | |
| General Obligation Bonds | \$ 3,790,000 | \$ | \$ 330,000 | \$ 3,460,000 | \$ 340,000 |
| Financing Obligations | <u>130,813</u> | <u>148,000</u> | <u>103,489</u> | <u>175,324</u> | <u>122,556</u> |
| Governmental Activities | | | | | |
| Long-term Liabilities | <u><u>\$ 3,920,813</u></u> | <u><u>\$ 148,000</u></u> | <u><u>\$ 433,489</u></u> | <u><u>\$ 3,635,324</u></u> | <u><u>\$ 462,556</u></u> |

Note 5. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$4,872 in interest on financing obligations and \$117,822 in interest on bonds and notes.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.97 percent.

The county's contribution for FY 2008 was \$569,804, FY 2009 was \$490,902, and FY 2010 was \$575,177.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

The Boyle County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 7. Deferred Compensation (Continued)

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2010, Boyle County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Health Insurance Fund

The Boyle County Health Insurance Fund provides health insurance coverage to County employees. The County transfers from each fund (General, Road, Joint Jail, and Emergency Medical Services), the amount for a single policy for each employee who is eligible and elects to receive insurance coverage from the County. Any employee who selected a plan that is not a single plan (i.e. family, spouse/children) has the additional premium deducted from their paychecks. Premiums are determined by the County based upon recommendations submitted to them by the Treasurer.

Note 10. Prior Period Adjustments

The beginning balance of governmental activities has been restated by \$8,173 to reflect adjustments made to capital assets due to certain disposals of capital assets not being accounted for in full.

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2010

| | GENERAL FUND | | | |
|---|-------------------------|--------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 4,813,000 | \$ 4,813,000 | \$ 5,043,996 | \$ 230,996 |
| Excess Fees | 139,850 | 139,850 | 312,688 | 172,838 |
| Licenses and Permits | 28,500 | 28,500 | 31,915 | 3,415 |
| Intergovernmental Revenue | 479,725 | 479,725 | 386,585 | (93,140) |
| Charges for Services | 85,000 | 85,000 | 90,882 | 5,882 |
| Miscellaneous | 733,864 | 733,864 | 924,190 | 190,326 |
| Interest | 26,000 | 26,000 | 52,605 | 26,605 |
| Total Revenues | 6,305,939 | 6,305,939 | 6,842,861 | 536,922 |
| EXPENDITURES | | | | |
| General Government | 2,452,088 | 2,569,404 | 2,410,841 | 158,563 |
| Protection to Persons and Property | 290,603 | 291,283 | 139,237 | 152,046 |
| General Health and Sanitation | 1,331,850 | 1,442,180 | 1,301,815 | 140,365 |
| Social Services | 88,500 | 88,500 | 88,500 | |
| Recreation and Culture | 309,800 | 318,065 | 309,519 | 8,546 |
| Airports | 18,115 | 18,145 | 18,139 | 6 |
| Debt Service | 74,250 | 74,250 | | 74,250 |
| Capital Projects | 60,000 | 57,000 | 245 | 56,755 |
| Administration | 2,029,950 | 1,667,225 | 166,043 | 1,501,182 |
| Total Expenditures | 6,655,156 | 6,526,052 | 4,434,339 | 2,091,713 |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | (349,217) | (220,113) | 2,408,522 | 2,628,635 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers To Other Funds | (2,571,003) | (2,571,003) | (2,638,301) | (67,298) |
| Total Other Financing Sources (Uses) | (2,571,003) | (2,571,003) | (2,638,301) | (67,298) |
| Net Changes in Fund Balance | (2,920,220) | (2,791,116) | (229,779) | 2,561,337 |
| Fund Balance - Beginning | 2,920,220 | 2,920,220 | 2,854,200 | (66,020) |
| Fund Balance - Ending | \$ 0 | \$ 129,104 | \$ 2,624,421 | \$ 2,495,317 |

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

| | ROAD FUND | | | |
|---|-------------------------|---------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental Revenue | \$ 704,566 | \$ 704,566 | \$ 902,728 | \$ 198,162 |
| Miscellaneous | 20,000 | 20,000 | 10,991 | (9,009) |
| Interest | 1,500 | 1,500 | 1,647 | 147 |
| Total Revenues | <u>726,066</u> | <u>726,066</u> | <u>915,366</u> | <u>189,300</u> |
| EXPENDITURES | | | | |
| General Health and Sanitation | | 50,000 | 50,000 | |
| Transportation | 16,800 | 16,800 | 12,619 | 4,181 |
| Roads | 910,350 | 790,296 | 769,841 | 20,455 |
| Debt Service | 50,830 | | | |
| Capital Projects | 75,000 | 373,370 | 373,370 | |
| Administration | 292,130 | 243,748 | 242,097 | 1,651 |
| Total Expenditures | <u>1,345,110</u> | <u>1,474,214</u> | <u>1,447,927</u> | <u>26,287</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>(619,044)</u> | <u>(748,148)</u> | <u>(532,561)</u> | <u>215,587</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers From Other Funds | 334,857 | 334,857 | 550,000 | 215,143 |
| Short Term Borrowed Money | 195,000 | 195,000 | | (195,000) |
| Total Other Financing Sources (Uses) | <u>529,857</u> | <u>529,857</u> | <u>550,000</u> | <u>20,143</u> |
| Net Changes in Fund Balance | (89,187) | (218,291) | 17,439 | 235,730 |
| Fund Balance - Beginning | <u>89,187</u> | <u>89,187</u> | <u>54,690</u> | <u>(34,497)</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ (129,104)</u> | <u>\$ 72,129</u> | <u>\$ 201,233</u> |

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

| JOINT JAIL FUND | | | | |
|---|-------------------------|--------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental Revenue | \$ 1,791,923 | \$ 1,791,923 | \$ 1,773,053 | \$ (18,870) |
| Charges for Services | 147,000 | 147,000 | 156,142 | 9,142 |
| Miscellaneous | 122,000 | 122,000 | 138,325 | 16,325 |
| Interest | 500 | 500 | 442 | (58) |
| Total Revenues | <u>2,061,423</u> | <u>2,061,423</u> | <u>2,067,962</u> | <u>6,539</u> |
| EXPENDITURES | | | | |
| Protection to Persons and Property | 2,103,730 | 2,108,043 | 1,873,120 | 234,923 |
| Debt Service | 373,580 | 373,580 | | 373,580 |
| Administration | 818,950 | 814,637 | 744,093 | 70,544 |
| Total Expenditures | <u>3,296,260</u> | <u>3,296,260</u> | <u>2,617,213</u> | <u>679,047</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>(1,234,837)</u> | <u>(1,234,837)</u> | <u>(549,251)</u> | <u>685,586</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Adjustments to Prior Year Surplus | | | 11 | 11 |
| Transfers From Other Funds | 1,192,226 | 1,192,226 | 939,052 | (253,174) |
| Transfers To Other Funds | | | (373,573) | (373,573) |
| Total Other Financing Sources (Uses) | <u>1,192,226</u> | <u>1,192,226</u> | <u>565,490</u> | <u>(626,736)</u> |
| Net Changes in Fund Balance | (42,611) | (42,611) | 16,239 | 58,850 |
| Fund Balance - Beginning | <u>42,611</u> | <u>42,611</u> | <u>60,820</u> | <u>18,209</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 77,059</u> | <u>\$ 77,059</u> |

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

| EMERGENCY 911 FUND | | | | |
|---|-------------------------|--------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 70,000 | \$ 70,000 | \$ 69,285 | \$ (715) |
| Intergovernmental Revenue | 130,000 | 130,000 | 141,086 | 11,086 |
| Interest | 3,500 | 3,500 | 8,126 | 4,626 |
| Total Revenues | 203,500 | 203,500 | 218,497 | 14,997 |
| EXPENDITURES | | | | |
| Protection to Persons and Property | 180,130 | 183,092 | 134,319 | 48,773 |
| Administration | 381,589 | 378,627 | | 378,627 |
| Total Expenditures | 561,719 | 561,719 | 134,319 | 427,400 |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | (358,219) | (358,219) | 84,178 | 442,397 |
| Net Changes in Fund Balances | (358,219) | (358,219) | 84,178 | 442,397 |
| Fund Balances - Beginning | 358,219 | 358,219 | 392,573 | 34,354 |
| Fund Balances - Ending | \$ 0 | \$ 0 | \$ 476,751 | \$ 476,751 |

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

| EMERGENCY MEDICAL SERVICES FUND | | | | |
|---|-------------------------|--------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 10,000 | \$ 10,000 | \$ 67,475 | \$ 57,475 |
| Charges for Services | 1,100,000 | 1,100,000 | 1,081,999 | (18,001) |
| Miscellaneous | | 0 | 17,237 | 17,237 |
| Interest | 500 | 500 | 366 | (134) |
| Total Revenues | <u>1,110,500</u> | <u>1,110,500</u> | <u>1,167,077</u> | <u>56,577</u> |
| EXPENDITURES | | | | |
| Protection to Persons and Property | 1,391,850 | 1,442,312 | 1,428,075 | 14,237 |
| Debt Service | 120,250 | 108,361 | 108,361 | |
| Administration | 700,550 | 661,977 | 660,051 | 1,926 |
| Total Expenditures | <u>2,212,650</u> | <u>2,212,650</u> | <u>2,196,487</u> | <u>16,163</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>(1,102,150)</u> | <u>(1,102,150)</u> | <u>(1,029,410)</u> | <u>72,740</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Adjustment to Prior Year Surplus | | | 2 | 2 |
| Financing Obligation Proceeds | 147,000 | 147,000 | 148,000 | 1,000 |
| Transfers From Other Funds | 910,088 | 910,088 | 950,000 | 39,912 |
| Total Other Financing Sources (Uses) | <u>1,057,088</u> | <u>1,057,088</u> | <u>1,098,002</u> | <u>40,914</u> |
| Net Changes in Fund Balances | (45,062) | (45,062) | 68,592 | 113,654 |
| Fund Balances - Beginning | <u>45,062</u> | <u>45,062</u> | <u>52,369</u> | <u>7,307</u> |
| Fund Balances - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 120,961</u> | <u>\$ 120,961</u> |

BOYLE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**BOYLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2010

BOYLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2010

| | LGEA Fund | State Grant Fund | Jail Fund | Total Non-Major Governmental Funds |
|---------------------------|----------------------|---------------------------------|----------------------|---|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 104,286 | \$ 20,234 | \$ 42,313 | \$ 166,833 |
| Total Assets | <u>104,286</u> | <u>20,234</u> | <u>42,313</u> | <u>166,833</u> |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| Encumbrances | | | 9,432 | 9,432 |
| Unreserved: | | | | |
| Special Revenue Funds | <u>104,286</u> | <u>20,234</u> | <u>32,881</u> | <u>157,401</u> |
| Total Fund Balances | <u>\$ 104,286</u> | <u>\$ 20,234</u> | <u>\$ 42,313</u> | <u>\$ 166,833</u> |

The accompanying notes are an integral part of the financial statements

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BOYLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2010

BOYLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2010

| | LGFA Fund | State Grant Fund | Jail Fund | Total Non-Major Governmental Funds |
|---|----------------------|---------------------------------|----------------------|---|
| REVENUES | | | | |
| Intergovernmental | \$ 81,205 | \$ | \$ 7,674 | \$ 88,879 |
| Miscellaneous | | | 18,022 | 18,022 |
| Interest | 112 | 21 | 83 | 216 |
| Total Revenues | <u>81,317</u> | <u>21</u> | <u>25,779</u> | <u>107,117</u> |
| EXPENDITURES | | | | |
| Protection to Persons and Property | | | 184,758 | 184,758 |
| Roads | 43,350 | | | 43,350 |
| Administration | 235 | | 851 | 1,086 |
| Total Expenditures | <u>43,585</u> | | <u>185,609</u> | <u>229,194</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>37,732</u> | <u>21</u> | <u>(159,830)</u> | <u>(122,077)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers From Other Funds | | | 125,000 | 125,000 |
| Total Other Financing Sources (Uses) | | | <u>125,000</u> | <u>125,000</u> |
| Net Change in Fund Balances | 37,732 | 21 | (34,830) | 2,923 |
| Fund Balances - Beginning | 66,554 | 20,213 | 77,143 | 163,910 |
| Fund Balances - Ending | <u>\$ 104,286</u> | <u>\$ 20,234</u> | <u>\$ 42,313</u> | <u>\$ 166,833</u> |

The accompanying notes are an integral part of the financial statements

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harold McKinney, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated March 9, 2011. Boyle County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Boyle County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boyle County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Boyle County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comment and recommendation, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comment and recommendation as 2010-01 to be a material weakness.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Boyle County's financial statements as of and for the year ended June 30, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation as item 2010-01.

The Boyle County Judge/Executive's and the County Jailer's responses to the finding identified in our audit is included in the comment and recommendation. We did not audit the County Judge/Executive and County Jailer's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

March 9, 2011

**BOYLE COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2010

**BOYLE COUNTY
COMMENT AND RECOMMENDATION**

Fiscal Year Ended June 30, 2010

FINANCIAL STATEMENT FINDING:

2010-01 Internal Controls Should Be Improved To Ensure Jail Canteen Receipts Are Properly Accounted For And Reported

The Jailer is responsible for collecting certain monies, such as bail bond fees, work release fees, booking fees, and housing fees in the course of his elected position. Unless otherwise specified by statute, the handling of these funds should be in accordance with the requirements for handling all county funds as prescribed by the State Local Finance Officer pursuant to KRS 68.210.

KRS 68.210 includes, but is not limited to, the following guidelines for the handling of public funds:

- Pre-numbered three part receipt forms should be issued for all receipts. Original to be given to payor, copy to be attached in sequential order to daily check-out sheet, and copy to remain in file.
- Daily deposits should be made intact into a federally insured banking institution. At the end of each business day, the Jailer or assigned personnel should separate individual receipts into categories listed on the check-out sheet. The total of each category should be entered on the appropriate space provided. The amount deposited line should equal the amount of money on hand at the end of each day, less start up cash. All daily detail (deposit form, cash receipts, etc.) should be attached to the form.

Based on audit procedures performed, we found that receipt forms are issued; however, copies of receipts are not being attached to the daily check-out sheet. During the audit, attempts to reconcile receipts from receipt books on five different days to the daily check-out sheet and bank deposit were unsuccessful. We also found that daily deposits are being made as required; however, the receipts are not broken down on the daily check-out sheet by category. Receipts are divided into the appropriate categories when entered into QuickBooks; however, they are not reconciled back to the actual receipts, daily check-out sheet or bank deposit amount.

In order to improve internal controls and to ensure that Jail Canteen receipts are properly accounted for and reported, we recommend the Jailer implement procedures to ensure that daily receipts for all monies received are batched and posted to the daily check-out sheet by category. We further recommend that receipts entered into QuickBooks are reconciled back to the daily check-out sheet (which includes copies of all receipts) and the bank deposit.

County Judge/Executive's Response: The Joint Jail Committee is gathering proposals from software vendors to streamline the current process that is being used for the receipting and disbursing of inmate monies.

Jailer's Response: We will comply to the above recommendations. This will be addressed @ staff meeting 3-10-11 7:00 a.m.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

BOYLE COUNTY FISCAL COURT

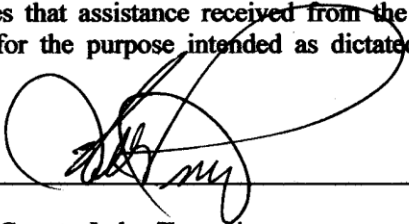
**For The Fiscal Year Ended
June 30, 2010**

Appendix A

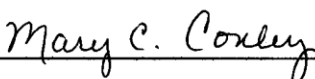
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BOYLE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2010

The Boyle County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer

